



May 11, 2012

Joann Shao, Accounting Manager
City of South El Monte
1415 N. Santa Anita Ave
South El Monte, CA 91733

Dear Ms. Shao:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of South El Monte (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) for the period January through June 2012 to the California Department of Finance (Finance) on April 26, 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EOs) characteristics. Based on a sample of line items reviewed and application of the law, the following items do not qualify as EOs:

January through June 2012 ROPS:

- Item 5 – Kruse Family Trust Loan in amount of \$165,000. The final ROPS amount of \$2,251,793 doesn't match the June 30, 2011 Audited Financial Statements balance of \$2,086,793. Therefore, \$165,000 of the claimed \$2,251,793 is not an EO.
- Item 9 – Bank Trust Fees in amount of \$345,600. Per discussion with the City, the total obligation amount was estimated. Documentation provided from the bank shows the estimated obligation should be \$92,500. Therefore, \$253,100 of the claimed \$345,600 is not an EO.
- Item 19 – Infrastructure projects in the amount of \$1,538,839. Although Tax Allocation Bonds were issued to fund these project, it is our understanding that no actual contracts have been executed to carry out this project. HSC section 34163 (b) prohibits these commitments without third party expenditure contracts dated prior to June 28, 2011.
- Items 7, 8, 11, 13, 14, 15, 17, 18 - Administrative costs claimed exceeds allowance by \$53,035. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated to the City is approximately \$63,947. Therefore, \$53,035 of the claimed \$303,035 is not an EO.

July through December 2012 ROPS:

- Item 5 – Kruse Family Trust Loan in amount of \$165,000. The final ROPS amount of \$2,251,793 doesn't match the June 30, 2011 Audited Financial Statements balance of \$2,086,793. Therefore, \$165,000 of the claimed \$2,251,793 is not an EO.
- Item 9 – Bank Trust Fees in amount of \$345,600. Per discussion with the City, the total obligation amount was estimated. Documentation provided from the bank shows the estimated obligation should be \$92,500. Therefore, \$253,100 of the claimed \$345,600 is not an EO.
- Item 20 – Infrastructure projects in the amount of \$1,538,839. Although Tax Allocation Bonds were issued to fund these project, it is our understanding that no actual contracts have been executed to carry out this project. HSC section 34163 (b) prohibits these commitments without third party expenditure contracts dated prior to June 28, 2011.
- Items 7, 8, 11, 13, 14, 15, 17, 19 - Administrative costs claimed exceeds allowance by \$53,035. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated to the City is approximately \$107,712. Therefore, \$53,035 of the claimed \$303,035 is not an EO.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and send to the following email address:

Redevelopment_Administration@dof.ca.gov

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct inquiries to Evelyn Suess, Supervisor, or Doug Evans, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Kristina Burns, Program Specialist III, County of Los Angeles